



STATE OF CALIFORNIA
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MEMORANDUM

To: Gerald H. Goldberg April 15, 2003

From: Titus S. Toyama

Subject: Board Approval Authorizing FTB's Executive Officer to Execute Occupancy Documents to Lease 100% of the State Office and Warehouse Facilities at Butterfield Way

This memorandum provides information for your notification to the Board of staff's request for approval authorizing you to execute occupancy documents for the lease of 100% of the State Office and Warehouse Facilities at Butterfield Way.

Background – As originally authorized by legislation in FY 1996/1997, the Butterfield State Office Building was to be a Franchise Tax Board (FTB) Building with 100% FTB occupancy through consolidation at the Butterfield site of staff occupying private leased space. Upon authorization of the project, the first year Pooled Money Investment loan (PMIB) was obtained, and FTB completed its Updated Master Plan. The FTB was requested to sign an occupancy agreement prior to approval of the second year PMIB loan. The three member Board did not approve execution of the occupancy agreement at that time, however, pending conclusion of a performance audit, and no occupancy agreement was signed by FTB.

In FY 1998/1999 the original legislation was amended establishing the State Office and Warehouse Facilities at Butterfield Way Project (Phase III) and directing the Department of General Services (DGS) to proceed with its design and construction. On July 6, 1999, the Board authorized the department to enter into an occupancy agreement for 58% of the estimated capacity of Phase III. This occupancy level was based on FTB's staffing levels at that time. No adjustment was made for future growth, and the occupancy rate incorporated the performance audit's recommendation of a reduction of 621 positions between FY 1998/1999 and FY 2002/2003 which equated to 4,346 positions (excluding 620 staff in district offices). At that time the usable space in the new office buildings was schematic in nature with the maximum capacity not yet established.

Status – The urgency of this request to the Board is related to the requirement for FTB to sign an occupancy agreement prior to the sale of bonds in the fall of 2003. The previously approved occupancy level (58%) must now be updated. FTB has continued to experience growth since FY 1998/1999, and the performance audit

position reduction as approved by the Legislature and the Administration resulted in a reduction of only 74 positions. FTB currently has 5,307 authorized positions (excluding 655 staff located in district offices).

The Phase III design development has been completed incorporating State Administrative Manual space standards and ADA accessibility requirements. Square foot space allocations per staff are consistent with DGS standards. Construction is proceeding with occupancy of the office buildings scheduled to begin in FY 2004/2005 and continue to FY 2005/2006.

DGS utilizes a minimum 2.5% growth factor per annum from occupancy throughout the first five years of a lease term to estimate leased space requirements. Incorporating FY 2003/2004 BCP position data and applying a 2.5% growth factor for subsequent years, FTB would occupy 86.4% of Phase III at initial occupancy, and 100% of Phase III within five years. The lease of 100% of Phase III would thereby provide for reasonable expansion. Consolidation of staff at the Butterfield site is consistent with Executive Order D-46-01 directing agencies to utilize state owned facilities in lieu of private leased space to accommodate continuing and long-term facility needs.

Recommendation – FTB staff and DGS recommend that the department request the Board's approval authorizing FTB's executive officer to execute occupancy documents for FTB's lease of 100% of the State Office and Warehouse Facilities at Butterfield Way.

If you have any questions please contact me at 845-4106, or Fred Cordano at 845-6730.

Chief Financial Officer